

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 6281

BILL NUMBER: SB 257

DATE PREPARED: Nov 10, 2000

BILL AMENDED:

SUBJECT: Neighborhood Assistance tax credits.

FISCAL ANALYST: Brian Tabor

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FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
FEDERAL

IMPACT: State & Local

STATE IMPACT	FY 2001	FY 2002	FY 2003
State Revenues		(2,500,000)	(2,500,000)
State Expenditures			
Net Increase (Decrease)		(2,500,000)	(2,500,000)

Summary of Legislation: This bill increases the maximum amount of Neighborhood Assistance tax credits that may be allowed in a state fiscal year from \$2,500,000 to \$5,000,000.

Effective Date: July 1, 2001.

Explanation of State Expenditures: The Neighborhood Assistance Program (NAP) is administered by the Indiana Department of Commerce (IDOC). Given its current resources, the IDOC would be able to absorb any additional administrative costs associated with this proposal.

Explanation of State Revenues: *Direct Impact:* NAP tax credits are awarded via non-profit organizations to taxpayers contributing to various community projects in economically disadvantaged areas. Businesses investing in NAP projects can receive a credit against their state tax liability equal to 50% of their contribution, although a single taxpayer cannot receive more than \$25,000 in credits each taxable year. The credit can be applied to the Gross Income Tax, the Adjusted Gross Income Tax, or the Supplemental Net Income Tax. The total amount of credits that may be awarded in one fiscal year is currently capped at \$2,500,000. This bill would increase the cap by 100% to \$5,000,000 beginning in FY 2002.

This bill could decrease state revenue by a maximum amount of \$2,500,000, however, it is not known if all

of the additional credits would be used. In past years, requests for NAP credits have typically exceeded the cap. The table below (Table A) summarizes the number of non-profit organizations that have applied to IDOC for NAP credits, the total amount requested, the number of actual recipients, and the total amount awarded.

TABLE A: Summary of NAP Credit Activity for FY 2000 and FY 2001

	FY 2000	FY 2001
Applications received	140	153
Amount requested	\$2,968,432	\$4,921,271
Number of actual recipients	66	79
Actual amount awarded	\$2,489,214	\$2,473,777

Income tax revenue is deposited in the state General Fund and the Property Tax Replacement Fund.

Secondary Impact: If the additional NAP credits help develop community projects that would not have otherwise occurred, the state could experience indirect positive impacts. Additional jobs could be created, increasing revenue generated by income taxes and the sales tax paid on the employees' purchases. NAP projects may also help relieve the state's unemployment and welfare burdens.

Explanation of Local Expenditures:

Explanation of Local Revenues: If the additional credits result in community projects that would not have taken place without the cap increase, local entities could also experience secondary positive impacts. Local units would benefit from increased property tax revenue from new housing, and counties with local option income taxes would benefit from greater employment.

State Agencies Affected: Indiana Department of Commerce.

Local Agencies Affected: Local units where NAP credits are granted.

Information Sources: Leslie Richardson, Director, Office of Research, Indiana Department of Commerce, (317) 232-8962.